

PANORAMA COMMUNITY SCHOOL DISTRICT
PANORA, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	8-9
B Statement of Activities	10-13
Governmental Fund Financial Statements:	
C Balance Sheet	14
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	15
E Statement of Revenues, Expenditures and Changes in Fund Balances	16-17
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	18
Proprietary Fund Financial Statements:	
G Statement of Net Assets	19
H Statement of Revenues, Expenses, and Changes in Net Assets	20
I Statement of Cash Flows	21-22
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	23
K Statement of Changes in Fiduciary Net Assets	24
Notes to Financial Statements	25-37
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund	40
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	41
Notes to Required Supplementary Information – Budgetary Reporting	42
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	44
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	45
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	46
4 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	47
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	48-49
SCHEDULE OF FINDINGS	50-53

PANORAMA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Cheryl Castile	President	2006
Jim Russell	Vice President	2004
Alisa Clark	Board Member	2005
Steve Klinkefus	Board Member	2005
Carol Wendl	Board Member	2005
<u>Board of Education</u>		
(After September 2004 Election)		
Cheryl Castile	President	2006
Carol Wendl	Vice President	2005
Scott Fredrickson	Board Member	2007
Alisa Clark	Board Member	2005
Steve Klinkefus	Board Member	2005
<u>School Officials</u>		
John Millhollin	Superintendent	2005
Sheila Wooldridge	District Secretary/Treasurer	2005
Rick Engel	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Panorama Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Panorama Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Panorama Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2005 on our consideration of Panorama Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 40 through 42 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Panorama Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein). For the year ended June 30, 2004, we expressed unqualified opinions on the financial statements. For the two years ended June 30, 2003, we expressed qualified opinions on those financial statements due to incomplete records for the Proprietary Fund capital assets. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
October 7, 2005

This page intentionally left blank

Basic Financial Statements

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,199,373	\$ 60,706	\$ 1,260,079
Cash with fiscal agent	3,743,193	-	3,743,193
Receivables:			
Property tax:			
Current year	36,421	-	36,421
Succeeding year	2,678,183	-	2,678,183
Due from other governments	61,932	-	61,932
Inventories	-	3,967	3,967
Restricted ISCAP assets (note 3):			
Investments	447,976	-	447,976
Accrued interest receivable	96	-	96
Capital assets, net of accumulated depreciation (note 4)	6,050,680	45,891	6,096,571
Total assets	14,217,854	110,564	14,328,418
Liabilities			
Accounts payable	111,855	-	111,855
Salaries and benefits payable	526,924	16,176	543,100
Accrued interest payable	56,406	-	56,406
ISCAP warrants payable (note 3)	446,000	-	446,000
ISCAP accrued interest payable (note 3)	86	-	86
ISCAP unamortized premium	5,990	-	5,990
Deferred revenue:			
Succeeding year property tax	2,678,183	-	2,678,183
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	14,221	-	14,221
Bonds payable	270,000	-	270,000
Special assessment payable	7,612	-	7,612
Portion due after one year:			
Early retirement	14,046	-	14,046
Bonds payable	7,595,000	-	7,595,000
Special assessment payable	38,056	-	38,056
Total liabilities	11,764,379	16,176	11,780,555

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 1,928,873	\$ 45,891	\$ 1,974,764
Restricted for:			
Management levy	60,812	-	60,812
Physical plant and equipment levy	121,094	-	121,094
Other special revenue purposes	40,662	-	40,662
Capital projects	64,773	-	64,773
Unrestricted	237,261	48,497	285,758
Total net assets	\$ 2,453,475	\$ 94,388	\$ 2,547,863

See notes to financial statements.

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
		Services		
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,629,689	\$ 178,854	\$ 356,263	\$ -
Special instruction	721,446	14,438	131,261	-
Other instruction	503,064	172,255	9,982	-
	<u>3,854,199</u>	<u>365,547</u>	<u>497,506</u>	<u>-</u>
Support services:				
Student services	132,387	-	-	-
Instructional staff services	160,567	-	-	-
Administration services	497,618	-	-	-
Operation and maintenance of plant services	426,772	4,387	-	-
Transportation services	411,665	811	161	-
	<u>1,629,009</u>	<u>5,198</u>	<u>161</u>	<u>-</u>
Non-instructional programs	<u>14,686</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	33,812	-	-	-
Long-term debt interest and fiscal charges	341,695	-	-	-
AEA flowthrough	203,470	-	203,470	-
Depreciation (unallocated) *	150,192	-	-	-
	<u>729,169</u>	<u>-</u>	<u>203,470</u>	<u>-</u>
Total governmental activities	6,227,063	370,745	701,137	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>274,574</u>	<u>149,147</u>	<u>118,913</u>	<u>-</u>
Total	<u>\$ 6,501,637</u>	<u>\$ 519,892</u>	<u>\$ 820,050</u>	<u>\$ -</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,094,572)	\$ -	\$ (2,094,572)
(575,747)	-	(575,747)
(320,827)	-	(320,827)
(2,991,146)	-	(2,991,146)
(132,387)	-	(132,387)
(160,567)	-	(160,567)
(497,618)	-	(497,618)
(422,385)	-	(422,385)
(410,693)	-	(410,693)
(1,623,650)	-	(1,623,650)
(14,686)	-	(14,686)
(33,812)	-	(33,812)
(341,695)	-	(341,695)
-	-	-
(150,192)	-	(150,192)
(525,699)	-	(525,699)
(5,155,181)	-	(5,155,181)
-	(6,514)	(6,514)
(5,155,181)	(6,514)	(5,161,695)

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 10)

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 2,041,487	\$ -	\$ 2,041,487
479,516	-	479,516
248,269	-	248,269
52,001	-	52,001
2,256,797	-	2,256,797
89,118	1,059	90,177
4,612	-	4,612
5,171,800	1,059	5,172,859
16,619	(5,455)	11,164
2,436,856	99,843	2,536,699
<u>\$ 2,453,475</u>	<u>\$ 94,388</u>	<u>\$ 2,547,863</u>

PANORAMA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 805,305	\$ 11,412	\$ 382,656	\$ 1,199,373
Cash with fiscal agent	-	3,743,193	-	3,743,193
Receivables:				
Property tax:				
Current year	25,723	5,999	4,699	36,421
Succeeding year	1,870,871	432,443	374,869	2,678,183
Due from other governments	52,192	-	9,740	61,932
Restricted ISCAP assets (note 3):				
Investments	447,976	-	-	447,976
Accrued interest receivable	96	-	-	96
	<u>3,202,163</u>	<u>4,193,047</u>	<u>771,964</u>	<u>8,167,174</u>
Total assets	\$ 3,202,163	\$ 4,193,047	\$ 771,964	\$ 8,167,174
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 77,749	\$ -	\$ 34,106	\$ 111,855
Salaries and benefits payable	526,924	-	-	526,924
ISCAP warrants payable (note 3)	446,000	-	-	446,000
ISCAP accrued interest payable (note 3)	86	-	-	86
ISCAP unamortized premium	5,990	-	-	5,990
Deferred revenue:				
Succeeding year property tax	1,870,871	432,443	374,869	2,678,183
Total liabilities	2,927,620	432,443	408,975	3,769,038
Fund balance:				
Reserved for:				
Debt service	-	3,760,604	-	3,760,604
Unreserved:				
Reported in nonmajor Special				
Revenue Funds	-	-	298,216	298,216
Undesignated	274,543	-	64,773	339,316
Total fund balances	274,543	3,760,604	362,989	4,398,136
Total liabilities and fund balances	\$ 3,202,163	\$ 4,193,047	\$ 771,964	\$ 8,167,174

See notes to financial statements.

PANORAMA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances of governmental funds	\$ 4,398,136
---	--------------

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,050,680
---	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(56,406)
--	----------

Long-term liabilities, including bonds and special assessment payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,938,935)</u>
--	--------------------

Net assets of governmental activities	<u>\$ 2,453,475</u>
---------------------------------------	---------------------

See notes to financial statements.

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Debt Service	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,920,031	\$ 479,516	\$ 420,112	\$ 2,819,659
Tuition	138,240	-	-	138,240
Other	87,646	66,297	175,421	329,364
State sources	2,718,012	-	-	2,718,012
Federal sources	237,361	-	-	237,361
Total revenues	5,101,290	545,813	595,533	6,242,636
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,542,603	-	72,435	2,615,038
Special instruction	721,446	-	-	721,446
Other instruction	340,526	-	149,088	489,614
	3,604,575	-	221,523	3,826,098
Support services:				
Student services	132,387	-	-	132,387
Instructional staff services	160,567	-	-	160,567
Administration services	494,065	-	-	494,065
Operation and maintenance of plant services	391,366	-	32,887	424,253
Transportation services	371,033	-	10,013	381,046
	1,549,418	-	42,900	1,592,318
Non-instructional programs	14,686	-	-	14,686
Other expenditures:				
Facilities acquisition	-	-	95,157	95,157
Long term debt:				
Principal	-	255,000	-	255,000
Interest and fiscal charges	-	344,742	-	344,742
AEA flowthrough	203,470	-	-	203,470
	203,470	599,742	95,157	898,369
Total expenditures	5,372,149	599,742	359,580	6,331,471
Excess (deficiency) of revenues over (under) expenditures	(270,859)	(53,929)	235,953	(88,835)

PANORAMA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources:				
Sale of equipment	\$ 1,046	\$ -	\$ -	\$ 1,046
Net change in fund balances	(269,813)	(53,929)	235,953	(87,789)
Fund balances beginning of year, as restated (note 10)	<u>544,356</u>	<u>3,814,533</u>	<u>127,036</u>	<u>4,485,925</u>
Fund balances end of year	<u>\$ 274,543</u>	<u>\$ 3,760,604</u>	<u>\$ 362,989</u>	<u>\$ 4,398,136</u>

See notes to financial statements.

PANORAMA COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (87,789)

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 61,333	
Depreciation expense	<u>(204,093)</u>	(142,760)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 262,612

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 3,047

Some expenses reported in the statement of activities, including early retirement, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (18,491)

Change in net assets of governmental activities \$ 16,619

See notes to financial statements.

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2005

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 60,706
Inventories	3,967
Capital assets, net of accumulated depreciation	<u>45,891</u>
Total assets	<u>110,564</u>
Liabilities	
Salaries and benefits payable	<u>16,176</u>
Net Assets	
Invested in capital assets	45,891
Unrestricted	<u>48,497</u>
Total net assets	<u>\$ 94,388</u>

See notes to financial statements.

PANORAMA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>149,147</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	76,253
Benefits	24,381
Purchased services	11,339
Supplies	153,129
Depreciation	<u>9,472</u>
	<u>274,574</u>
Operating loss	<u>(125,427)</u>
Non-operating revenues:	
Interest on investments	1,059
State sources	4,345
Federal sources	<u>114,568</u>
Total non-operating revenues	<u>119,972</u>
Change in net assets	(5,455)
Net assets beginning of year	<u>99,843</u>
Net assets end of year	\$ <u><u>94,388</u></u>

See notes to financial statements.

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 143,983
Cash received from miscellaneous operating activities	5,164
Cash payments to employees for services	(104,322)
Cash payments to suppliers for goods or services	<u>(150,394)</u>
Net cash used in operating activities	<u>(105,569)</u>
Cash flows from non-capital financing activities:	
State grants received	4,345
Federal grants received	<u>100,671</u>
Net cash provided by non-capital financing activities	<u>105,016</u>
Cash flows from investing activities:	
Interest on investments	<u>1,059</u>
Net increase in cash and cash equivalents	506
Cash and cash equivalents beginning of year	<u>60,200</u>
Cash and cash equivalents end of year	<u>\$ 60,706</u>

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (125,427)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	9,472
Commodities used	13,897
Decrease in inventories	177
(Decrease) in interfund payable	(9,869)
Increase in salaries and benefits payable	<u>6,181</u>
Net cash used in operating activities	<u>\$ (105,569)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$13,897 of federal commodities.

See notes to financial statements.

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 June 30, 2005

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>173,507</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>173,507</u></u>
See notes to financial statements.	

PANORAMA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
Year Ended June 30, 2005

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 181,595	
Interest	<u>2,412</u>	
Total additions	<u>184,007</u>	
Deductions:		
Support services:		
Scholarships awarded		<u>10,500</u>
Change in net assets		173,507
Net assets beginning of year		<u>-</u>
Net assets end of year	\$	<u><u>173,507</u></u>
See notes to financial statements.		

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

Panorama Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Panora, Iowa, portions of the Cities of Bagley, Yale, and Jamaica, Iowa, and the agricultural territory in Guthrie, Dallas, and Greene Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Panorama Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Panorama Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Guthrie County Assessor's Conference Board.

The District also appoints a voting majority of the Panorama Community School District Foundation board, which is considered a related organization.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	8-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2005.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2. Cash and Pooled Investments (continued)

The District's investments at June 30, 2005 are as follows:

	<u>Fair Value</u>
United States Treasury Notes	\$ 3,743,191
Money Market Mutal Fund	2
Principal Financial Group Common Stock	<u>75,965</u>
	<u>\$ 3,819,158</u>

The investments are stated at fair value.

Interest rate risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investments in the money market mutual fund were rated Aaa by Moody's Investors Service.

Note 3. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2005-06A	6/30/2005	6/30/2006	\$ <u>447,976</u>	\$ <u>96</u>	\$ <u>446,000</u>	\$ <u>86</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2005.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 3. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.463%
2005-06A	3.500%	3.903%

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 79,750	\$ -	\$ -	\$ 79,750
Construction in progress	197,394	29,515	226,909	-
Total capital assets not being depreciated	<u>277,144</u>	<u>29,515</u>	<u>226,909</u>	<u>79,750</u>
Capital assets being depreciated:				
Buildings	6,782,131	242,093	-	7,024,224
Improvements other than buildings	493,322	9,034	-	502,356
Furniture and equipment	826,347	7,600	-	833,947
Total capital assets being depreciated	<u>8,101,800</u>	<u>258,727</u>	<u>-</u>	<u>8,360,527</u>
Less accumulated depreciation for:				
Buildings	1,354,266	141,881	-	1,496,147
Improvements other than buildings	192,140	24,882	-	217,022
Furniture and equipment	639,098	37,330	-	676,428
Total accumulated depreciation	<u>2,185,504</u>	<u>204,093</u>	<u>-</u>	<u>2,389,597</u>
Total capital assets being depreciated, net	<u>5,916,296</u>	<u>54,634</u>	<u>-</u>	<u>5,970,930</u>
Governmental activities capital assets, net	<u>\$ 6,193,440</u>	<u>\$ 84,149</u>	<u>\$ 226,909</u>	<u>\$ 6,050,680</u>

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 127,730	\$ -	\$ -	\$ 127,730
Less accumulated depreciation	<u>72,367</u>	<u>9,472</u>	<u>-</u>	<u>81,839</u>
Business-type activities capital assets, net	<u>\$ 55,363</u>	<u>\$ (9,472)</u>	<u>\$ -</u>	<u>\$ 45,891</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

 Instruction:

 Regular

\$ 3,760

 Other

13,450

 Support services:

 Administration

3,553

 Operation and maintenance of plant services

2,519

 Transportation

30,619

53,901

Unallocated depreciation

150,192

Total governmental activities depreciation expense

\$ 204,093

Business-type activities:

 Food service operations

\$ 9,472

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Early Retirement	General Obligation Bonds	Special Assessment	Total
Balance beginning of year	\$ 9,776	\$ 8,120,000	\$ 53,280	\$ 8,183,056
Additions	26,590	-	-	26,590
Reductions	8,099	255,000	7,612	270,711
Balance end of year	<u>\$ 28,267</u>	<u>\$ 7,865,000</u>	<u>\$ 45,668</u>	<u>\$ 7,938,935</u>
Due within one year	<u>\$ 14,221</u>	<u>\$ 270,000</u>	<u>\$ 7,612</u>	<u>\$ 291,833</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-six and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 40% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. Early retirement benefits paid during the year ended June 30, 2005, totaled \$8,099. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Bonds Payable

During the year ended June 30, 2004, the District issued \$3,905,000 of general obligation school refunding bonds. As a result of the crossover refunding, the District will reduce its total debt service requirements by \$251,361, with a net present value savings of \$167,026. The net proceeds of these bonds plus interest are included as cash with fiscal agent on the balance sheet since these funds have been set aside in an escrow account held by an outside fiscal agent. On the crossover date May 1, 2006, the cash with fiscal agent will be used to crossover refund the November 1, 1996 general obligation bond principal for years 2007-2016 amounting to \$3,690,000. The cash with fiscal agent and any income earned on this account will also be used to pay interest on the August 1, 2003 general obligation refunding bonds until that date.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Long-Term Liabilities (continued)

Bonds Payable (continued)

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	November 1, 1996		
	Principal	Interest	Total
2006	\$ 270,000	\$ 209,351	\$ 479,351
2007	290,000	195,851	485,851
2008	305,000	181,352	486,352
2009	320,000	165,796	485,796
2010	335,000	149,156	484,156
2011	355,000	131,150	486,150
2012	370,000	112,069	482,069
2013	395,000	92,181	487,181
2014	415,000	70,950	485,950
2015	440,000	48,644	488,644
2016	465,000	24,994	489,994
Subtotal	3,960,000	1,381,494	5,341,494
Year Ending June 30,	August 1, 2003		
	Principal	Interest	Total
2006	\$ -	\$ 118,805	\$ 118,805
2007	365,000	118,805	483,805
2008	370,000	111,505	481,505
2009	380,000	102,995	482,995
2010	390,000	93,020	483,020
2011	400,000	81,710	481,710
2012	410,000	69,310	479,310
2013	430,000	55,985	485,985
2014	440,000	41,580	481,580
2015	460,000	26,180	486,180
2016	260,000	9,620	269,620
Subtotal	3,905,000	829,515	4,734,515
Total	\$ 7,865,000	\$ 2,211,009	\$ 10,076,009

During the year ended June 30, 2005, the District retired \$255,000 of general obligation bonds.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Long-Term Liabilities (continued)

Special Assessment

The District was assessed \$86,000 for street construction in the year ended June 30, 2000. The assessment is payable in annual installments plus interest of 5.0% per year on the unpaid balance. Details of the District's June 30, 2005 indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 7,612	\$ 2,284	\$ 9,896
2007	7,612	1,902	9,514
2008	7,612	1,522	9,134
2009	7,612	1,142	8,754
2010	7,612	762	8,374
2011	7,608	379	7,987
Total	\$ 45,668	\$ 7,991	\$ 53,659

During the year ended June 30, 2005, the District retired \$7,612 on the assessment.

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$191,604, \$186,247, and \$177,354 respectively, equal to the required contributions for each year.

Note 7. Risk Management

Panorama Community School District was a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Risk Management (continued)

In July 2004, ISEBA converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$27,898. The District is a plaintiff in a class action lawsuit disputing the assessments made by ISEBA. The outcome of the litigation and the final amount due on the assessment can not be determined at this time.

Panorama Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$203,470 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Contingency Lawsuit

The district has one ongoing lawsuit. The proceeding is still in the litigation stage and the outcome can not be determined at this time. However, if the outcome is adverse the District's commercial insurance should be sufficient to cover any loss.

Note 10. Restatement of Beginning Balances

The District excluded stock investments totaling \$63,056 from the prior year financial statements. The District had received 1,813 shares of stock due to the demutualization of their health insurance carrier. The following beginning balances have been restated to properly include this investment as of June 30, 2004:

	General Fund	Governmental Activities Net Assets
Balance, as previously reported	\$ 481,300	\$ 2,373,800
Addition of previously excluded investment	<u>63,056</u>	<u>63,056</u>
Balance, as restated	<u><u>\$ 544,356</u></u>	<u><u>\$ 2,436,856</u></u>

This page intentionally left blank

Required Supplementary Information

PANORAMA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 3,361,819	\$ 150,206	\$ 3,512,025	\$ 3,379,199	\$ 132,826
State sources	2,714,702	4,345	2,719,047	2,738,849	(19,802)
Federal sources	227,551	114,568	342,119	357,000	(14,881)
Total receipts	6,304,072	269,119	6,573,191	6,475,048	98,143
DISBURSEMENTS:					
Instruction	3,723,754	-	3,723,754	3,895,231	171,477
Support services	1,578,982	-	1,578,982	1,583,000	4,018
Non-instructional programs	-	268,613	268,613	290,500	21,887
Other expenditures	905,120	-	905,120	941,113	35,993
Total disbursements	6,207,856	268,613	6,476,469	6,709,844	233,375
Excess (deficiency) of receipts over (under) disbursements	96,216	506	96,722	(234,796)	331,518
Other financing sources, net	1,046	-	1,046	-	1,046
Excess (deficiency) of receipts and other financing sources over (under) disbursements	97,262	506	97,768	(234,796)	332,564
Balance beginning of year, as restated	4,845,304	60,200	4,905,504	1,531,661	3,373,843
Balance end of year	\$ 4,942,566	\$ 60,706	\$ 5,003,272	\$ 1,296,865	\$ 3,706,407

See accompanying independent auditor's report.

PANORAMA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2005

Governmental Funds			
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 6,304,072	\$ (61,436)	\$ 6,242,636
Expenditures	6,207,856	123,615	6,331,471
Net	96,216	(185,051)	(88,835)
Other financing sources	1,046	-	1,046
Beginning fund balances, as restated	4,845,304	(359,379)	4,485,925
Ending fund balances	<u>\$ 4,942,566</u>	<u>\$ (544,430)</u>	<u>\$ 4,398,136</u>
Proprietary Fund			
	Enterprise		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 269,119	\$ -	\$ 269,119
Expenses	268,613	5,961	274,574
Net	506	(5,961)	(5,455)
Beginning net assets	60,200	39,643	99,843
Ending net assets	<u>\$ 60,706</u>	<u>\$ 33,682</u>	<u>\$ 94,388</u>

See accompanying independent auditor's report.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Other Supplementary Information

PANORAMA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
Assets					
Cash and pooled investments	\$ 87,533	\$ 40,662	\$ 199,428	\$ 55,033	\$ 382,656
Receivables:					
Property tax:					
Current year	1,604	-	3,095	-	4,699
Succeeding year	144,410	-	230,459	-	374,869
Due from other governments	-	-	-	9,740	9,740
Total assets	<u>\$ 233,547</u>	<u>\$ 40,662</u>	<u>\$ 432,982</u>	<u>\$ 64,773</u>	<u>\$ 771,964</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 58	\$ -	\$ 34,048	\$ -	\$ 34,106
Deferred revenue:					
Succeeding year property tax	144,410	-	230,459	-	374,869
Total liabilities	<u>144,468</u>	<u>-</u>	<u>264,507</u>	<u>-</u>	<u>408,975</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>89,079</u>	<u>40,662</u>	<u>168,475</u>	<u>64,773</u>	<u>362,989</u>
Total liabilities and fund equity	<u>\$ 233,547</u>	<u>\$ 40,662</u>	<u>\$ 432,982</u>	<u>\$ 64,773</u>	<u>\$ 771,964</u>

See accompanying independent auditor's report.

PANORAMA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
Revenues:					
Local sources:					
Local tax	\$ 119,842	\$ -	\$ 248,269	\$ 52,001	\$ 420,112
Other	-	172,670	2,751	-	175,421
Total revenues	<u>119,842</u>	<u>172,670</u>	<u>251,020</u>	<u>52,001</u>	<u>595,533</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,069	-	69,366	-	72,435
Other instruction	-	149,088	-	-	149,088
Support services:					
Operation and maintenance of plant services	28,491	-	4,396	-	32,887
Transportation services	6,206	-	3,807	-	10,013
Other expenditures:					
Facilities acquisition	-	-	95,157	-	95,157
Total expenditures	<u>37,766</u>	<u>149,088</u>	<u>172,726</u>	<u>-</u>	<u>359,580</u>
Excess of revenues over expenditures	82,076	23,582	78,294	52,001	235,953
Fund balances beginning of year	<u>7,003</u>	<u>17,080</u>	<u>90,181</u>	<u>12,772</u>	<u>127,036</u>
Fund balances end of year	<u>\$ 89,079</u>	<u>\$ 40,662</u>	<u>\$ 168,475</u>	<u>\$ 64,773</u>	<u>\$ 362,989</u>

See accompanying independent auditor's report.

PANORAMA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 378	\$ 86,614	\$ 72,460	\$ 14,532
General Resale	574	860	1,002	432
Spanish Club	460	1,399	1,100	759
TAG	98	-	-	98
Dramatics	68	1,193	882	379
Student Council	830	916	1,941	(195)
MS Student Council	62	-	-	62
FCCLA	705	1,633	2,004	334
FFA	3,356	12,692	11,647	4,401
Panther Greenhouse Coop	803	1,289	1,336	756
Physics Club	10	-	-	10
Speech	391	278	679	(10)
FCA	82	-	-	82
Technology Student Association	-	1,526	816	710
Panthers for Prevention	-	871	569	302
Interest & Savings	902	415	-	1,317
Annual	(10,343)	7,360	9,240	(12,223)
Drill Team	(1,113)	2,787	2,916	(1,242)
Cheerleaders	80	3,334	2,333	1,081
Flags	171	-	-	171
Class of 2005	4,782	8,796	13,578	-
Class of 2006	2,386	23,270	15,801	9,855
Class of 2007	400	4,964	2,125	3,239
Class of 2008	933	-	-	933
Class of 2009	-	700	-	700
Class of 2010	-	715	-	715
Class of 2011	-	1,700	-	1,700
Junior High Fund	4,105	6,005	6,107	4,003
Elementary	6,960	3,353	2,552	7,761
Total	\$ 17,080	\$ 172,670	\$ 149,088	\$ 40,662

See accompanying independent auditor's report.

PANORAMA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,819,659	\$ 2,914,410	\$ 2,736,727	\$ 2,631,370
Tuition	138,240	133,219	152,608	166,501
Other	329,364	296,759	233,609	252,527
State sources	2,718,012	2,459,527	2,730,171	2,574,124
Federal sources	237,361	241,449	233,061	214,368
Total revenues	<u>\$ 6,242,636</u>	<u>\$ 6,045,364</u>	<u>\$ 6,086,176</u>	<u>\$ 5,838,890</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,615,038	\$ 2,464,993	\$ 2,591,875	\$ 2,408,494
Special instruction	721,446	668,486	633,169	686,312
Other instruction	489,614	495,735	454,290	436,144
Support services:				
Student services	132,387	112,572	108,543	108,282
Instructional staff services	160,567	152,946	115,890	126,671
Administration services	494,065	460,704	497,602	484,179
Operation and maintenance of plant services	424,253	556,604	458,926	417,764
Transportation services	381,046	351,189	315,437	284,188
Non-instructional programs	14,686	-	113	-
Other expenditures:				
Facilities acquisition	95,157	344,813	52,603	59,289
Long-term debt:				
Principal	255,000	240,000	230,000	350,410
Interest and fiscal charges	344,742	384,697	256,776	275,818
AEA flowthrough	203,470	200,632	214,926	210,701
Total expenditures	<u>\$ 6,331,471</u>	<u>\$ 6,433,371</u>	<u>\$ 5,930,150</u>	<u>\$ 5,848,252</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Panorama Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Panorama Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Panorama Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 and I-E-05 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Panorama Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Panorama Community School District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Panorama Community School District and other parties to whom Panorama Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Panorama Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
October 7, 2005

PANORAMA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank deposits, bank reconciliation, and the posting of the cash receipt journal are all done by the same person in the various funds. We also noted that the duties of preparing, signing, recording, and distributing payroll checks are all performed by the same individual.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that the District review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate available alternatives and implement changes wherever possible. We have implemented some additional review procedures for receipts, collections and deposits.

Conclusion – Response accepted.

I-B-05 Disbursement Approval – Out of forty disbursements tested, the Board had not approved five disbursements. The Board does have a written policy regarding payment prior to approval for certain types of expenditures. However, these particular payments were not later formally approved by the Board as the policy requires.

Recommendation – The procedures described in the above comment weaken the control that the Board has over disbursements. All disbursements should be approved by the Board.

Chapter 279.29 of the Code of Iowa provides that “the Board shall audit and allow all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.” In accordance with an Attorney General’s opinion dated July 12, 1979, “no claim can be paid until the Board has taken final action on the claim. Logically, no final action can be taken on the claim until all of the specifics of the claim have been examined and verified.”

Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. In addition, the secretary, upon documentation of approval by the Board President, may issue warrants for other verified bills prior to Board approval when the Board is not in session. All such bills must then be approved by the Board at the next meeting.

Response – We will review and implement this recommendation.

Conclusion – Response accepted.

PANORAMA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- I-C-05 Disbursements – Out of forty disbursements tested, three were not fully supported by an invoice or receipt prior to the check being released for payment.
- Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation, prior to the check being released for payment.
- Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.
- Conclusion – Response accepted.
- I-D-05 Deposits to Bank Account – We noted three receipts that were not deposited to the bank on a timely basis.
- Recommendation – All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum.
- Response – We will try to ensure that all receipts are deposited on a timely basis.
- Conclusion – Response accepted.
- I-E-05 Bank Reconciliations – We noted that bank reconciliations are prepared for each bank account but are not reconciled to the general ledger. This leads to posting errors remaining undetected and many unrecorded transactions. We noted that an outstanding check of \$4,311 in the General Fund was not included on the bank reconciliation. We also noted \$7,544 of unrecorded checks in the General Fund. An adjusting journal entry has been made to record these checks.
- Recommendation – All bank accounts should be reconciled and tied to the general ledger each month. This allows the District to timely detect errors or omissions.
- Response – Bank reconciliations for all accounts will be tied to the general ledger in the future.
- Conclusion – Response accepted.
- I-F-05 Netting of Revenues and Expenditures – We noted one receipt that was posted against an expenditure account.
- Recommendation – This practice understates both revenues and expenditures. The District should avoid netting against an expenditure except in limited circumstances, such as a sales tax refund received in the same fiscal year as the expenditure it applies to or similar revenue.
- Response – We will properly record all revenues in the future.
- Conclusion – Response accepted.

PANORAMA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.
- II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-05 Deposits and Investments – The District has an unallowable investment in Principal Financial Group common stock received from the demutualization of their health insurance carrier. In addition, the interest rate on one time certificate of deposit did not meet the minimum rate of interest set by the State rate setting committee.

Recommendation – The District should redeem their stock. The District should be aware of current allowable rates to ensure that at least the minimum rate is received for all investments. The certificate of deposit, when renewed, should be renewed at a rate of interest that conforms with current rates for public funds on the renewal date.

Response – We sold the stock in August 2005. The certificate of deposit will be renewed at an allowable rate.

Conclusion – Response accepted.

PANORAMA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

- II-J-05 Certified Annual Report – We noted no material differences on the Certified Annual Report. However, the report was not filed with the Department of Education on a timely basis.

Recommendation – In the future, the District should file the Certified Annual Report in a timely manner.

Response – We will file our Certified Annual Report in a timely manner in the future.

Conclusion – Response accepted.

- II-K-05 Financial Condition – We noted that the Special Revenue, Student Activity Fund had some deficit balances within the group of single activity accounts.

Recommendation – The District needs to monitor the activity accounts more closely and investigate alternatives to eliminate the deficit balances.

Response – The Board is aware of the condition and is making strides to eliminate deficit accounts.

Conclusion – Response accepted.

- II-L-05 Physical Plant and Equipment Levy – The proceeds of taxes levied under Chapter 289.3 of the Code of Iowa were used to purchase several units of equipment that were each less than \$500. The total unallowable expenditures for the year ended June 30, 2005 were \$1,708. Prior year unallowable expenditures which have still not been reimbursed are \$407.

Recommendation – The Physical Plant and Equipment Levy (PPEL) Fund may make expenditures only for the purposes stated in Chapter 298.3 of the Code of Iowa. Equipment may be purchased from the PPEL Fund only if the value of the single unit of equipment exceeds \$500. The General Fund should reimburse the PPEL Fund \$2,115 for the current year and prior year unallowable expenditures.

Response – We will make sure that all future PPEL expenditures comply with the Code of Iowa. We will make a corrective transfer entry of \$2,115 to reimburse these unallowable expenditures from the General Fund to the PPEL Fund.

Conclusion – Response accepted.

- II-M-05 Payroll Tax Returns – We noted that the District's payroll tax returns to Job Service of Iowa for the year ended June 30, 2005 were understated by \$339,034.

Recommendation – The District should review its payroll procedures to ensure that all future payroll tax returns are accurately prepared.

Response – This was an oversight on our part due to a change in the way we code employee benefits in our payroll system. We will make sure that these reports are accurate in the future.

Conclusion – Response accepted.

This document was created with Win2PDF available at <http://www.win2pdf.com>.
The unregistered version of Win2PDF is for evaluation or non-commercial use only.